



POWERMATTERS

<http://www.abag.ca.gov/services/power>

HAVE WE GOT A DEAL FOR YOU! TWENTY ELECTRIC SUPPLIERS SUBMIT PROPOSALS

On December 9, 1996, ABAG received qualifications and proposals from 20 corporations and utilities interested in providing electric power and related services to ABAG's Power Purchasing Pool.

The proposals were submitted to ABAG in response to its November 8, 1996 release of a Request for Qualifications and Proposals for Electric Supply (RFQ/RFP) on behalf of 130 local government entities in Northern California.

Participating in the RFP were cities, towns, counties, and special districts predominantly from the Bay Area, with additional participation from other areas of Northern California. Participation was limited to local government entities in the Pacific Gas and Electric Company service territory.

The RFQ/RFP provided an approximation of the aggregated power usage of the participating entities and asked power suppliers and marketers to forward competitive proposals to supply power to ABAG by December 9, 1996.

In addition, the RFQ/RFP invited firms specializing in energy services to submit proposals to provide the services ABAG will require to operate a purchasing pool or "aggregation" of local government entities. Specific service proposals included billing and installation of needed metering technology. The RFQ/RFP also solicited proposals for pricing on "green power" (renewable energy sources) for local governments interested in putting part or all of their power purchasing into renewable energy.

The RFQ/RFP was available to prospective bidders over the Internet on the ABAG Power Pool's website (<http://www.abag.ca.gov/services/power>), as well as in hard copy. Over 200 interested parties downloaded RFQ/RFP within two weeks of its release.

In addition, 46 power suppliers and other firms attended a proposers' conference convened by ABAG

to answer questions about the RFQ/RFP. The questions raised at the meeting were also posted on the Power Pool website, along with ABAG's official responses.

In evaluating the submissions, electricity and service pricing will be favored over other criteria. ABAG has retained McCullough Research, an Oregon-based energy consultant to assist in evaluating proposals.

Local government entities represented by the RFQ/RFP should expect to hear from ABAG in February, when ABAG will present the results of the competitive negotiation as well as the legal documents required to formally join the Power Purchasing Pool.

For information on legal agreements and other likely requirements, see *JPA Proposed for Gas and Electricity Purchasing* on page 2. Following is the schedule for review and selection of a supplier(s) and service providers for the Power Purchasing Pool:

December 1996

- ♦ Evaluation of qualified proposals begins.
- ♦ ABAG chooses and interviews a short list of proposers.

January 1996

- ♦ Conclusion of interviews.
- ♦ ABAG commences competitive negotiations with selected proposers.
- ♦ Power Purchasing Pool members updated on status of RFQ/RFP process.

February 1997

- ♦ Competitive negotiations conclude.
- ♦ Supplier(s) and service providers selected and announced.
- ♦ Contract negotiations commence.
- ♦ Local government entities notified and commitments to participate are requested.

POWER POOL ORGANIZATION

POWER POOL COMMITTEE ORGANIZES FOR OVERSIGHT

ABAG's Power Purchasing activities are directed by the Power Purchasing Pool Committee, which was created to advise both the ABAG staff and the ABAG Executive Board. The Committee is comprised of representatives of local government entities that have joined ABAG's Natural Gas Purchasing Program.

In October, the Committee formally organized by adopting Committee rules, electing a Chair and Vice-Chair, and establishing several working committees. Serving as Chair and Vice-Chair of the Committee are Mike Garvey, City Manager of the **City of San Carlos**, and Dave Finigan, Assistant City Manager of the **City of Vallejo**, respectively.

Working committees include the following: 1) Operations Subcommittee, which will advise the staff on the operation of the existing natural gas program and the logistics of the electricity program as it develops; and 2) Purchasing Subcommittee, which will advise the staff on purchasing processes and decisions. In addition, the full Committee approved the creation of a Legal Working Group to help draft the legal agreements needed to implement the electric purchasing program (see below).

When the full Committee cannot meet in a timely fashion, an Administrative Committee composed of the Committee Chair and Vice-Chair and the Subcommittee Chairs will make decisions.

JPA PROPOSED FOR GAS & ELECTRICITY PURCHASING

In January, the Power Pool's Legal Working Group--composed of city attorneys/county counsels from the County of Santa Clara, County of Napa, City of San Mateo, City of Oakland, Town of Hillsborough, and City of Milpitas--will discuss a proposal to form a Joint Powers Agency (JPA) for the purchasing of natural gas and electricity. The proposed JPA would consist of all members of the Power Pool, with ABAG as the administering member.

This proposal is being forwarded to the Legal Working Group for several reasons. First, forming a JPA is likely to decrease costs to Pool members. Each Pool member currently maintains an individual credit balance upon which ABAG may draw to pay late or missed bill payments. In the proposed JPA, all the members would contribute to a joint reserve fund to cover the cost of one or two payment oversights in the entire Pool. Thus, the cost of maintaining this necessary reserve fund would be smaller for individual members.

Forming a JPA may also lower the possibility that a minor infraction (such as a late bill payment by one or two pool members) would cause the collapse of the entire Pool. Currently, ABAG functions as the intermediate between Gas Pool members and natural gas and service suppliers, which requires ABAG to assume the risk for ensuring that the Program's cash flow remains adequate. With electricity purchasing--and its larger cash flow requirements--on the horizon, this risk may be better accommodated if shared among all participating members.

In addition, should the Power Pool decide to float bonds to take advantage of prepayment advantages, forming a JPA may make the Pool more attractive in the bond market. If Pool members jointly secure the JPA's payment obligations, the market will see the probability for payment default as very small.

(continued on page 3)

POWER POOL ACTIVITIES

UPDATE ON NATURAL GAS

ABAG's Power Purchasing Pool created a Natural Gas Purchasing Program in April 1996. To date, 31 local governments have joined the Program and are receiving natural gas at a cost 5.5 percent below PG&E's cost. In the first five months of operation, the Natural Gas Program saved participating local governments a combined total of over \$86,000. Effective savings for the program, net of all administrative charges, is 2.3 percent.

Ensearch Gas Marketing, a Texas-based company, provides natural gas for ABAG's Program. Commodity management and billing is provided by Diablo Energy Consultants.

NATURAL GAS SAVINGS WILL GROW

In late December, the California Public Utilities Commission (CPUC) is scheduled to approve the "Gas Accord", a multi-party agreement related to interstate transportation of natural gas. CPUC approval of the Gas Accord is likely to result in a reduction of approximately \$0.01 per therm in the interstate transportation charges paid by members of ABAG's Natural Gas Program. This one cent reduction in the interstate transportation charge, which may take effect as soon as January 1997, will double the Pool's savings rate from 2.3 percent to 4.1 percent.

Additional savings will result in July 1997 when Gas Accord provisions related to intrastate transportation, brokerage fees, Canadian reservation charges, storage, and other operational efficiencies are fully implemented. This full implementation of the Gas Accord may increase savings from 4.1 percent to 10-11 percent. *For further information on how to join ABAG's Natural Gas Purchasing Program, please call Patty Spangler at (510) 464-7933.*

POWER POOL ON-LINE

Information about ABAG's Power Pool Program is now available online. A homepage was created for the Pool in September as a mechanism for interested parties to track Pool activities.

To date, hundreds have visited the Web Site to review ABAG's natural gas program or to find out more about ABAG's competitive process for selection of an electric supplier. Over 200 firms downloaded ABAG's RFQ/RFP when it was made available on the Internet, saving ABAG hundreds of dollars in postage and handling costs.

To visit the site from your home or office, just go to <http://www.abag.ca.gov/services/power>.

JPA PROPOSED...

(continued from page 2)

As the administering member in the proposed JPA, ABAG would continue to perform its administrative duties and services for Power Pool members. However, ABAG would no longer function as the cash flow conduit between members and suppliers. JPA members would have joint and several liability: members will share each other's payment responsibilities.

Discussions about the JPA proposal are expected to begin in January. The allocation of reserve fund payments and repayment of debts to the reserve fund are among the issues to be discussed. *For further information contact Ken Moy, ABAG Legal Counsel, at 510/464-7914 or email kennethm@abag.ca.gov.*

ELECTRICITY WORKSHOPS

ABAG will sponsor two half-day workshops on the fundamentals of purchasing electricity in the deregulated market on February 3 and 4, 1997, from 8 a.m. - 12 p.m. at the Joseph M. Bort MetroCenter in Oakland. These workshops are designed to provide public sector decision-makers with the basic information necessary to make choices and reduce electricity costs in the new electric power market.

The first workshop will be presented in three sections. It will provide an introduction to the physical and regulatory structure of the electric utility system and an overview of electric power fundamentals (demand, energy, and load factor). The importance of load aggregation as a method of entering the competitive electric power purchasing market is

explored. A review of Assembly Bill 1890 (AB 1890), which restructures the electric power market, is also provided. Workshop participants will learn about new terms and concepts introduced by AB 1890.

The second workshop presents demand-side management (DSM) measures and techniques, as well as advanced methods to finance and implement DSM through energy service companies (ESCOs). Topics covered include energy efficiency, energy load management, and shared energy savings financing tools.

The cost for each workshop is \$90 for ABAG members and \$135 for non-ABAG members. *For information, please contact Sharon Kendrick at 510/464-7980 or e-mail sharonk@abag.ca.gov.*

POWER MATTERS is a Bi-Monthly Newsletter Published by the Association of Bay Area Governments for the Power Purchasing Pool.

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Future editions of the ABAG Power Pool newsletter will be mailed to the Power Purchasing Pool mailing list, which includes the 130 local government entities that participated in ABAG's Electricity RFQ/RFP. **To be added to the newsletter mailing list, please complete and fax the following form.**

YES! ADD ME TO THE NEWSLETTER MAILING LIST!

FAX TO: Patricia Spangler

FAX #: 510/464-7985

Name _____

Title _____

Jurisdiction/Company _____

Address _____

City, State, Zip _____

Telephone # _____ Fax # _____